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CLASSIFIED BY: Ramin Asgard, Director, Iran Regional Presence  
Office - Dubai, DOS.  
REASON: 1.4 (b), (d)

1. [S/NF] Khatami Scares Hardliners Into Compromise?: Former president Khatami's recent entry into the presidential race has spurred hardliners and conservatives into action. Two days after his entry, Khatami was menaced by street thugs tied to the Basij chanting "we don't want an American government" and had to be defended by supporters. Then the hardline daily Kayhan compared Khatami to Benazir Bhutto, whom they claim was an American client, and mused that a similar fate to Bhutto's may await him. Within this ominous context, hardliners including the powerful Islamic Coalition Society, or Motallafeh, met to consider election strategy. So anxious that a Khatami presidency might signal the end of hardliner control over the economy and key parts of the government, a hardline MP confirmed to the press the faction's readiness to withdraw their substantial support for AN in favor of an "alternative candidate" if Khatami withdraws from the race. Comment: Taken together, these developments demonstrate that: first, hardliner opposition to Khatami's return to power is fierce and may turn violent; and second, that a deal may be struck to essentially dump AN as the hardline candidate if Khatami withdraws, likely leading to a compromise candidate entering the picture. Supreme Leader Khamene'i has apparently thus far avoided any direct involvement in resolving this building confrontation. As we have stated before, and continue to hear from multiple sources, a leading compromise candidate is former FM and current foreign policy advisor to the Supreme Leader, Ali Velayati.

2. [S/NF] Khatami-Era MFA Figures Active in Track II, Thinktank Outreach: As noted in IRPO 76 and Istanbul 47, current and former Iranian MFA officials have shown signs of exploring surprisingly diverse venues and partners for their current round of Track II dialogues. Many of the pragmatic MFA figures purged by Ahmadinejad in 2005/2006 have passed the past few years on Tehran's quasi-official foreign policy think tank circuit. Among their recent/current projects are: Track II dialogue in December 2008 in Athens, including cordial interactions between Iranian and Israeli participants; a planned Track II dialogue in Dubai at an Emirati defense think tank; various publications on

Iranian diplomacy, including an excellent website [www.irdiplomacy.ir](http://www.irdiplomacy.ir), a book-length history of Iranian diplomacy, and a planned English-language quarterly, The Iranian Review of Foreign Affairs, set to debut in winter 2009. Among the figures closely involved with these ventures are former PermRep Javad Zarif, former Ambassador to Afghanistan Reza Bahrani, Professor Kazem Sajjadpour of the MFA's School of International Relations and many others displaced by AN. Dr. Sajjadpour is the main figure in the Dubai Track II plans, as well as a participant or supporter of several US-Iran nonofficial exchange programs. Comment: In discussions with members of this group, they offer practical and realistic insight into Iran's foreign policy goals and interests. We are unable to assess their level of influence within the Leader's Office, the Supreme National Security Council, and other key foreign policy institutions. They must, however, have powerful patrons to carry out the broad-ranging, sometimes controversial, and quite public work they do.

13. [S/NF] IRIG Defense Minister Visits Moscow: Iranian Defense Minister Mostafa Mohammad Najjar is currently in Moscow, hoping to finalize arrangements for Russian delivery of S-300 air defense systems to Iran, according to Russian press reports. Najjar is scheduled to meet Russian Defense Minister Serdyukov on Feb. 17. Comment: The apparent lack of candor by senior Russian officials in recent discussions with USG officials about the S-300 issue (Moscow 357, 372, 373), together with Najjar's visit, may portend developments on this matter in coming days.

14. [S/NF] UK Foreign and Commonwealth Office Stresses Time Is of the Essence: FCO Iran Team (working level) told visiting IRPO Deputy Director and London IW that HMG believed that time was running short to reach agreement with Iran over its nuclear activities. Noting that the Administration's policy review was underway, FCO officials said U.S. engagement could be decisive in bringing the IRIG to the negotiating table. In their view,

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prolonged negotiations, i.e. into next year, would give Iran sufficient time to reach a point of no return in being able to build a weapon, however. Our interlocutors said that the P5+1 also needed to come to consensus on tougher sanctions should Iran not suspend its enrichment program and should be prepared to "preview" those sanctions to the IRIG. FCO also raised the idea of the U.S. engaging more reticent members of the EU to push for their agreement on stronger sanctions. Comment: Our interlocutors, without saying so explicitly, seemed anxious for a U.S. decision to engage Iran, but gently cautioned that the U.S. should not allow the Iranians to engage in a protracted bilateral negotiation at the expense of the P5+1 process.

15. [C] "Talking to Iran" Conference: The Feb. 12 "Talking to Iran" conference in London offered diverse views on when, how, and with whom to engage Iran but without much consensus how best to reach or influence Iranian audiences. Opinions among the journalists, commentators, academics, and members of London's Iranian diaspora were split over the role and effectiveness of Western broadcasting services in reaching Iran from outside. Speakers debated whether VOA, BBC and others should be aimed at advocacy or traditional, factual reporting. Likewise, there were differing opinions on the media environment inside Iran, ranging from government suppression and censorship to a vibrant, albeit semi-underground, public debate in traditional and emerging media. Comment: Two themes resonated with us during the conference and in a separate tour of BBC Persian's newsroom. First, a large segment of the Iranian population feels vilified by Western reporting on the country. Second, based on comments BBC Persian is receiving from its audience and in listening to observers who follow Iranian media, Iranians want to feel they are part of the discussion on issues that affect them personally. As one speaker put it succinctly, "You should be

talking with Iranians, not to them."

16. [S/NF] Swiss Diplomat Story Leaked by MOIS: An Iranian employee of the U.S. Interests Section in Tehran explained that the story surrounding the arrest of a Swiss diplomat posted to the USINT was leaked to the Iranian press by an MOIS employee. According to the USINT employee, the diplomat was briefly detained by security agents 18 months ago and then released. The incident was not publicized until (FNU) Hussein, director of the MOIS office that oversees the USINT, felt the need to highlight his own professional accomplishments after learning he might be removed from his position. Comment: Leaking stories either for personal or political ends is just as prevalent in Iran as anywhere. This is worth considering as we assess Iranian media reports purporting to reflect IRIG intentions and policies. The above story is another reminder that various actors inside Iran will use leaks as needed - regardless of potentially counterproductive impact - if they perceive their core interests are at stake.

17. [S/NF] Staple Food Prices Head Down in Advance of Election: The Iranian USINT employee in Tehran also reported that prices of basic goods in Iran had fallen dramatically in the past two months. The price of a chicken had been 5,500 tomans (about \$5.75); it is now 1,500 tomans. The price of rice has dropped from 6-7,000 tomans/kilo to 1,500 tomans/kilo. He attributed the price drop to Ahmadinejad's electoral maneuvering, commenting that Ahmadinejad is clearly trying to appeal to his base. Iranian visa applicants in Dubai - a demographic generally outside of Ahmadinejad's base - offered a mixed assessment of food prices. Although a couple applicants said that rice and chicken prices had dropped, others thought prices were the same. Comment: Commodity prices are an important issue among Iranian voters, especially those Ahmadinejad is courting, and Ahmadinejad could benefit by manipulating the price. At the same time, the allegation that Ahmadinejad is behind the price fluctuations may say as much about opinions toward Ahmadinejad and rumor mongering among his detractors as it does about his role in the price drops.

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18. [U] Window on Iran is a classified, weekly product providing Washington policy community and Iran watchers highlights of key developments on Iran. It is produced by the Iran Regional Presence Office - Dubai. Please direct any questions/comments to Kay McGowan (mcgowanka2@state.sgov.gov) or Charlie Pennypacker (pennypacker@state.sgov.gov).  
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